

## SUPPORT SENATE BILL 1127 – **COMMON SENSE** CITY INCOME TAX ACT REFORM

- Sponsored by Senator Goeff Hansen (R-Hart), Senate Bill 1127 would require Michigan employers with **more than 10 employees and gross annual payrolls greater than \$500,000** to ...

1. Withhold city income taxes for any employee who lives in a city that imposes such a levy; and ...
2. Remit said resources to the municipality.

- **Twenty-two (22) Michigan cities levy an income tax.** The cities and their rates of taxation are on the back of this document.

- Senate Bill 1127 would help those 22 cities **collect money owed them for basic services** – i.e., police and fire protection, emergency medical service, clean water, roads, transit, public lighting, solid-waste collection, and building inspections.

- Senate Bill 1127 would **protect taxpayers.** ... Simply put, those who do not have their city income tax withheld must make a lump-sum payment at the end of the year. Those who fail to do so are liable for additional costs – namely interest and penalties – that could cost them up to 25 percent more than their original tax bill.

- Compliance with federal and state income tax payments is 99 percent and 98 percent, respectively, because **federal and state laws compel all employers to withhold and remit their employees' income taxes.** Conversely, in the City of Detroit, for example, compliance with municipal income tax payment was 67 percent in 2015 – down 10 percent from 2014 – because locals do not have the benefit of universal withholding.

It's important to note, too, that, today, 67 percent of Detroiters work outside the city, compared to 15 percent in 1964, when the **City Income Tax Act** was enacted. That phenomenon pervades the other 21 cities, too. Case in point: Today, 64 percent of employed residents of Grand Rapids work outside the city, according to the U.S. Census Bureau. In Lansing, that percentage is 65 percent and in Pontiac, 90 percent.

- Senate Bill 1127 **does not impose hardship on Michigan commerce** because ...

1. Many, if not most, affected businesses contract with ADP, which handles payroll for 1 in 6 employees in the United States. To bring a business into compliance with the provisions of Senate Bill 1127, ADP simply would add another line on an employee's pay stub **at no cost to the employer** because it charges by *the number of employees* – not the *number of withholding categories*.
2. Numerous businesses – i.e., Ford Motor Company, Fiat Chrysler, Ascension Health, Beaumont Hospital, the University of Michigan, Aramark and Oakland University – already withhold and remit city income taxes.
3. Absent employer withholding, a local will move to garnish an employee's wages to settle unpaid income taxes – a *back-end* remedy that would clog courts and prove far more cumbersome for businesses than simply withholding and remitting the money to the city on the *front-end*. The number of potential garnishments in Detroit alone is 32,500.

- Senate Bill 1127 would **cost the State of Michigan nothing.**

- Supporters of Senate Bill 1127 (and/or the similar House Bill 4829) include the Michigan Municipal League, the Detroit Chamber of Commerce, the Small Business Association of Michigan, The Detroit News, and the cities of Albion, Battle Creek, Big Rapids, Detroit, Grand Rapids, Grayling, Ionia, Lansing, Muskegon, Muskegon Heights, Pontiac, Port Huron, Portland and Springfield.

# OUTLINE OF THE MICHIGAN TAX SYSTEM

## UNIFORM CITY INCOME (CONTINUED)

ADMINISTRATION:	Administrator designated by the city. Collected by city treasurer.
REPORT AND PAYMENT:	Due April 30 (when tax year ends December 31). Quarterly estimates and payments due April 30, June 30, September 30, and January 31. Withholding required.
DISPOSITION:	General fund of the city. A portion of Detroit's city income tax revenue is earmarked to the city police budget (see box on "Detroit Income Tax Revisions").

### 2015 COLLECTIONS:

<u>City</u>	<u>Year</u> <u>Adopted</u>	<u>Tax Rates</u>			<u>2015</u> <u>Net Collections</u>
		<u>Resident</u>	<u>Corporation</u>	<u>Nonresident</u>	
Albion	1972	1.0%	1.0%	0.5%	\$ 979,477
Battle Creek	1967	1.0	1.0	0.5	16,475,837
Big Rapids	1970	1.0	1.0	0.5	2,063,600
Detroit	1962	2.4	2.0	1.2	264,412,154
Flint	1965	1.0	1.0	0.5	14,012,171
Grand Rapids	1967	1.5	1.5	0.75	81,970,412
Grayling	1972	1.0	1.0	0.5	475,735
Hamtramck	1962	1.0	1.0	0.5	1,988,096
Highland Park	1966	2.0	2.0	1.0	2,917,943
Hudson	1971	1.0	1.0	0.5	548,239
Ionia	1994	1.0	1.0	0.5	2,075,833
Jackson	1970	1.0	1.0	0.5	8,806,662
Lansing	1968	1.0	1.0	0.5	31,660,923
Lapeer	1967	1.0	1.0	0.5	2,895,494
Muskegon	1993	1.0	1.0	0.5	8,274,666
Muskegon Heights	1990	1.0	1.0	0.5	894,380
Pontiac	1968	1.0	1.0	0.5	11,385,266
Port Huron	1969	1.0	1.0	0.5	6,431,121
Portland	1969	1.0	1.0	0.5	784,192
Saginaw	1965	1.5	1.5	0.75	12,252,323
Springfield	1989	1.0	1.0	0.5	934,368
Walker	1988	1.0	1.0	0.5	10,446,592
TOTAL					\$482,685,484

## VOTE YES ON HOUSE BILL 4686

Sponsored by the honorable state Representative Harvey Santana, House Bill 4686 seeks to give *all* municipalities the same right to assert an “*open and obvious*” defense in sidewalk trip-and-fall lawsuits that the private sector has employed for years to sentinel its premises.

Circumstances in the City of Detroit augment the logic behind this common-sense legislation. Consider the following:

- Detroit – by far Michigan’s largest city, comprising 143 square miles – has roughly 4,500 miles of sidewalk to maintain. For perspective, that is tantamount to driving *roundtrip*, Detroit to Los Angeles.
- Evidenced by its historic bankruptcy filing, Detroit does not now have the money to repair all its sidewalks. It is unlikely to have resources for such in the future, in light of limited growth in its funding streams, including state revenue sharing, and its extraordinary funding needs for essential city services.
- Detroit defends itself against numerous sidewalk trip-and-fall lawsuits each year – many of them dubious. For the last fiscal year (2013) for which complete data are available, the city paid almost \$6 million in sidewalk lawsuit settlements. That was roughly 25 percent of all lawsuit payouts, with other major categories being motor-vehicle accidents (45 percent) and police cases (27 percent).
- Detroit is not a member of the Michigan Municipal Risk Management Association – a self-insurance pool of municipalities – because of its extraordinary exposure to litigation. Additionally, it is cost-prohibitive for the city to buy private insurance.

Thus, the aforementioned money comes right out of the city’s general fund – resources that are desperately needed to enhance police, fire and other essential municipal services for residents, businesses and visitors.

- House Bill 4686 would not prevent an individual from suing any municipality for a sidewalk defect, but, rather, seeks to permit municipalities to use an “*open and obvious*” defense against such grievances.
- Courts have permitted private enterprise to employ an “*open and obvious*” defense for years, such that today it is routinely considered their “first-line” of protection in said cases. Specifically, while the private sector has a common law duty to make its premises reasonably safe for invitees, it is protected from liability if an invitee injures him/herself in a dangerous condition that is an “*open and obvious*” one.

So, for example, if an individual trips on a conspicuous defect in a grocery parking lot, the store can assert the defense of “*open and obvious*.” ... Simply put, the “open and obvious” nature of the danger serves as warning to the invitee to protect him/herself against it.

- Municipalities, on the other hand, have a statutory law obligation to maintain their sidewalks and currently cannot use said common law defense – thus, the rationale for House Bill 4686, which endeavors to insert common-sense into statute.

Simply put, everyone is responsible to watch where they are going!

- House Bill 4686 is an extension of previous legislative efforts to manage sidewalk trip-and-fall lawsuits. Most notably, the Legislature three years ago passed House Bill 4589 – now **Public Act 50 of 2012** – to affirm that municipalities are “*presumed to have maintained the sidewalk in reasonable repair*” if any unevenness in the walkway is less than 2 inches.

